

AMENDED IN SENATE MAY 1, 2002
AMENDED IN SENATE APRIL 17, 2002

SENATE BILL

No. 1662

Introduced by Senator Peace

February 21, 2002

An act relating to taxation.

LEGISLATIVE COUNSEL’S DIGEST

SB 1662, as amended, Peace. Taxation.

The existing tax laws provide for revenue sources for the state that include the Personal Income Tax Law, the Bank and Corporation Tax Law, the Sales and Use Tax Law, and property tax laws.

This bill would express the intent of the Legislature to provide a more stable revenue structure by reducing the personal income tax rate on capital gains, broadening the state and local sales and use tax base, reducing state and local sales and use tax rates, and providing that for purposes of property tax law, a change of ownership for nonresidential property shall result in reassessment when a cumulative ~~50 percent~~ 50% of ownership shares change ownership.

The bill would also express the intent of the Legislature to develop a more rational allocation of revenues for the state and for local agencies.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1SECTION 1. (a) The Legislature finds and declares that the
- 2current tax structure has led to revenue volatility, with tax receipts

1 growing dramatically during good economic times and
2 plummeting during economic downturns. This volatility results
3 from the dynamic nature of California's economy and the
4 increased reliance on personal income tax revenues. The volatility
5 of personal income tax revenues is exacerbated by the increased
6 dependence on personal income tax revenues attributable to
7 capital gains and stock options.

8 (b) The Legislature has a strong interest in reducing revenue
9 volatility. A less volatile revenue structure will help the
10 Legislature do each of the following:

11 (1) Maintain funding commitments.

12 (2) Reduce long-term costs by reducing duplicative startup
13 costs.

14 (3) Improve planning.

15 (c) It is the intent of the Legislature to amend the Revenue and
16 Taxation Code to provide a more stable revenue structure that ~~will~~
17 ~~include~~ *may include changes such as* a reduction in the personal
18 income tax rate on capital gains, broadening of the state and local
19 sales and use tax base, reducing both the state and local sales and
20 use tax rate, and providing that change of ownership for
21 nonresidential property shall result in reassessment when a
22 cumulative 50 percent of ownership share changes in ownership.

23 (d) *It is also the intent of the Legislature to develop a more*
24 *rational allocation of revenues for the state and local agencies,*
25 *including cities, counties, special districts, and school districts.*
26 *The intent of this restructuring of state and local revenue*
27 *allocations is to reduce volatility at the state and local level and*
28 *to provide incentives for economic development and housing.*

